

Message Text

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PAGE 01 WELLIN 02795 052257Z

63

ACTION EB-11

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 8615

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EO 11652: NA

TAGS: BEXP NZ

SUBJECT: MAJOR PROJECT: LOW COST HOUSING IN NEW ZEALAND

REF: A. STATE 185350 B. WELLINGTON'S 1659

1. GNZ HAVING SERIOUS SECOND THOUGHTS ABOUT PRACTICABILITY OF BUYING HOUSES OVERSEAS. IN ADDITION TO COST FACTOR WHICH SUFFERS FROM THE ADDITION OF SUBSTANTIAL SHIPPING COSTS, PROJECT HAS BECOME SOMETHING OF A POLITICAL FOOTBALL WITH OPPOSITION COMING FROM BUILDING CONTRACTORS AND, TO A LESSER EXTENT FROM LABOR UNIONS. DIRECTOR OF HOUSING IN CONFIDENTIAL CONVERSATION WITH COMATT ADVISED THAT THE PROJECT IS BEING QUIETLY "SHELVED" FOR AT LEAST SIX MONTHS. (THE GNZ IS NOT LIKELY TO MAKE PUBLIC STATEMENTS TO THIS EFFECT ON ITS OWN INITIATIVE BUT MAY HAVE TO RESPOND TO QUESTIONS FROM THE POLITICAL OPPOSITION).

2. GNZ REVERSAL APPEARS PRIMARILY DUE TO A RATHER DRAMATIC CHANGE IN THE POSITION OF THE LOCAL BUILDING INDUSTRY WHICH LEADS GOVERNMENT TO BELIEVE THAT IT WILL BE ABLE TO OBTAIN SUFFICIENT LOW-COST HOUSING FROM LOCAL SOURCES TO MEET IMMEDIATE NEEDS. AT TIME PROJECT WAS FIRST ANNOUNCED, LOCAL BUILDERS WERE NOT THOUGHT TO BE IN A

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PAGE 02 WELLIN 02795 052257Z

POSITION TO HANDLE ALL OF THE LOW-COST HOUSING PROJECTS

WHICH LABOUR GOVERNMENT FELT IT MUST GET MOVING TO FULFILL CAMPAIGN PROMISES. APPARENT RE-EVALUATION OF LOCAL BUILDING CAPACITY, COUPLED WITH RAPIDLY FALLING FOREIGN EXCHANGE RESERVES AND HIGHER PER UNIT COST OF IMPORTED HOMES MAKES THE PROJECT BOTH POLITICALLY AND ECONOMICALLY UNATTRACTIVE AT THE PRESENT TIME.

3. AFTER PUBLIC ANNOUNCEMENT OF GNZ PROPOSAL TO IMPORT HOMES, APPROACHES WERE RECEIVED FROM A SUBSTANTIAL NUMBER OF OVERSEAS BUILDERS FROM EUROPE, AUSTRALIA, CANADA. ONLY PROPOSAL SERIOUSLY CONSIDERED WAS THAT SUBMITTED BY MESSRS. SMITH AND DRAPER (WELLINGTON 1659). ON BEHALF OF NEIDERMEYER-MARTIN COMPANY OF PORTLAND, OREGON. ALSO PRESENTED IN A PRELIMINARY STATE BY SMITH AND DRAPER WERE PROPOSALS BY MISSION MOBILE, ONTARIO, CAL., AND RACINE HOMES, LONG BEACH, CAL.

4. EMBASSY BELIEVES THAT THE PROPOSAL IS IN DANGER OF, NOT ONLY BEING SHELVED BUT COMPLETELY BURIED BY THE FACTORS OF COST BALANCE OF PAYMENTS AND POLITICS. SUGGEST THAT MAJOR PROJECTS DIVISION ADVISE CONGRESSMAN HINSHAW'S OFFICE AND STOCKTON CONSULTATION: (A) GNZ NOT PLANNING AT PRESENT TO CALL FOR INTERNATIONAL BIDS; (B) GNZ HAS OBTAINED CONSIDERABLE AMOUNT OF INFORMATION ON TYPES AND COST OF MODULAR, PREFAB, AND OTHER TYPES OF LOW-COST HOUSING AS A RESULT OF ON-THE-SPOT EVALUATION BY ITS TEAM OF EXPERTS WHICH VISITED THE US IN JUNE AND IS EVALUATING THIS INFORMATION TO DETERMINE THE PRACTICABILITY OF OVERSEAS PURCHASES: (C) THERE IS, IN OUR OPINION, NO INDICATION THAT AN EARLY DECISION WILL BE REACHED; (D) EMBASSY WOULD APPRECIATE HAVING STOCKTON'S DESCRIPTIVE LITERATURE AND PRICE INFORMATION. COMATT WILL DELIVER DIRECTLY TO DIRECTOR OF HOUSING FOR DISCUSSION AND COMMENT. SELDEN

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